

## **MAYOR BARRETT'S 2010 PROPOSED EXECUTIVE BUDGET**

Good morning President Hines, members of the Common Council, City Attorney Langley, Comptroller Morics, City Treasurer Whittow, members of the Cabinet, honored guests and residents of our great City.

The 2010 Budget presents all of us with a new set of challenges. As with all budgets, we will struggle to find the right mix of revenues and services. I'm confident that you will continue to apply the serious consideration that you have demonstrated during my first five budgets.

However, focusing solely on the traditional budget questions this year simply won't cut the mustard. The 2010 Budget needs to include a serious examination of all our assumptions about what services are really essential and how we can deliver those services.

Less than one month ago the Public Policy Forum issued an independent analysis about City government finances. The good news is that the Forum concluded that City government is well managed and that we have avoided the level of distress that many other large cities have experienced.

Take Cincinnati for example, where the City is planning to cut 319 jobs and may have to close 20 libraries. Or, Denver where budget plans call for 176 city workers to lose their jobs. In Detroit, there has been talk of laying off 1,200 city employees with remaining employees being required to take 26 unpaid furlough days.

The bad news is that the Forum also stated that without major changes to our mix of revenue options, Milwaukee's fiscal condition will continue to deteriorate.

All of us understand the sources of our challenges. Increasingly, Milwaukee's City Budget is forced to absorb the consequences of policies that others impose without the tools needed to adjust those policies.

For example, the breakdown of the State's Shared Revenue program, which once equalized fiscal capacity throughout Wisconsin, has left communities like Milwaukee increasingly on our own. In just seven years the value of our state aids payments has fallen \$60 million dollars in inflation-adjusted terms. The dysfunctional nature of the United States health care system shifts costs to responsible employers like us, while contributing to the burden of poverty that schools, social services, and public health agencies must manage. The State's labor relations mandates ignore differences in fiscal capacity and community economic conditions. And world financial turmoil has thrown our pension fund investments into a tailspin.

Let's consider how some of these recent events will shape this year and future years. By 2012, City pension contributions could be as much as \$80 million dollars higher than they were in 2009. Our pension plan remains well-funded and well-managed, but we can no longer expect our pensions to be a free ride. In 2010 alone, the City's employer contribution will include almost \$48 million dollars in funding for Plan benefits, including \$24 million dollars and \$14 million dollars, respectively, for police and fire sworn employees.

I want to thank Alderman Murphy for his leadership role in the Pension Board's adoption of a new funding policy, which lowered our contributions in an actuarially-responsible manner. Taxpayers, city employees, and retirees alike are very fortunate that the Board made this change. I also want everyone to be aware of the fact that had those changes not occurred, an additional \$43 million dollars would have been necessary to balance this budget, which could not have been achieved without significant layoffs in the police and fire departments.

Health care benefits pose another structural concern for City finances. Since 1999 these expenses have increased from less than \$50 million dollars annually to almost \$120 million dollars in 2010. That's more than double in just ten years.

The pressure is especially intense for benefits to retirees under age 65. The rating agency Moody's has estimated that the City of Milwaukee allocates the

11th highest operating budget proportion of the 45 largest cities to retiree health care costs.

So, what do I propose that the City do about these circumstances? I will take the lead on multiple fronts to improve the City's finances so that our long-term prospects improve.

First, I will continue my efforts to diversify the City's revenues so that we can deliver services with less reliance on the property tax. My diversification proposals will insist on, at the very least, maintenance of the State's existing Shared Revenue appropriation. My specific proposals include:

- A City share of a County-wide sales tax to help address the continuing decline in the State's commitment to Shared Revenue.
- A new approach to the state's Transportation Aid formula that recognizes the importance of local streets and infrastructure in the regional economy and prioritizes the maintenance of existing infrastructure.
- Authorization of the Council's proposal to initiate a red light running traffic enforcement program, to provide for safer City intersections and enabling a non-property tax revenue source for enforcing traffic laws and regulations.

Second, I will continue to prioritize creative approaches to collective bargaining that reduce the City's ongoing structural costs. I want to thank District Council 48 for agreeing to collective bargaining settlements that can reduce our ongoing annual budget costs by almost \$10 million dollars.

It is now time for all City government stakeholders---employees, who provide the services as well as residents who expect the services, to realize that we no longer can insulate ourselves from the economic forces that have battered this City. We need to be creative about service delivery, whether it's fighting crime, preventing fires, disposing solid waste, or engaging Library users.

Third, our budgets must focus on areas where duplication can be reduced, excess capacity eliminated, and new service delivery methods initiated. My 2010 Proposed Operating Budget initiates this process by reducing full-time equivalent position strength by 380 and by eliminating approximately \$35 million dollars from the operating budget baseline.

Although these reductions have been difficult and certainly will have an impact, they have been made carefully and with strategic priorities and organizational efficiencies in mind. The Budget does not simply "cut"; there are several examples of how changes in service delivery, investments in technology, and

improved management enable us to reduce spending without compromising results.

Finally, the City will continue to do all we can to access new grant resources and to use them to improve our City's sustainability. Our recent effort with respect to President Obama's stimulus initiative is a case in point. The City of Milwaukee was one of the few applicant cities to win the maximum award of 50 police officers from the Community Oriented Policing grant program. I thank all those involved in that effort. We battled tirelessly to gain approximately \$25 million dollars of state highway money for our major streets program and I want to thank President Hines and members of the Council for helping me fight that fight.

We will apply our one-time additional CDBG funding to increased local street preventive maintenance and to innovative efforts like the Diversity in Urban Forestry initiative.

Our Energy Block Grant award will be used to initiate a \$1.2 million dollar Milwaukee Energy Efficiency Program, to improve energy efficiency and lower resident utility bills.

City employees not surprisingly have played an essential role in the City's necessary organizational makeover. I've been happy to see many examples of front-line employees taking the lead in helping the City save money. Just

recently the Port of Milwaukee, through the leadership of Harbor Master Joe Di Giorgio, undertook a complete overhaul and reconstruction of one of the Port's cranes. Their success saved the Port more than \$1 million dollars and has enabled better operations. I challenge and invite all City employees to contribute to our ongoing sustainability by creating better ways of service delivery.

The 2010 Budget will address our critical priorities. Examples include:

- \$215.7 million dollars in the Milwaukee Police Department, which will allow for continuation of its data driven deployment strategies and operation of the Neighborhood Task Force. The budget also reflects the city's successful Community Oriented Policing grant, which will allow for a new class of 50 police recruits in mid-year.
- \$99.8 million dollars in the Milwaukee Fire Department to enable response to fire suppression, Advanced Life Support and funding of a Fire Department recruit class next year.
- A \$1.7 million dollar increase to the Department of Public Works local streets program, which will enable a 61-year replacement cycle - less than half the replacement cycle that existed when I took office.

- Funding for the Milwaukee Public Library to allow the continued operation of all neighborhood libraries, including public service hours on three of four weekday school nights and continuation of the popular Sunday hours at three libraries during winter time. I want to especially thank our City Librarian Paula Kiely for working creatively with us.
- New initiatives in the Department of Neighborhood Services operating budget and the Department of City Development capital budget to preserve the city's housing stock from the threats posed by foreclosures.
- Development of a new Unified Call Center to improve customer response, enhance management reporting of problem resolution, and replace outdated technology applications.

And let's not forget that despite our fiscal challenges, we maintain several competitive advantages. These include:

- A world class Water Works that provides the highest quality water of any place in the world at an extremely competitive price. The economy of the future will belong to those regions, like Milwaukee, that can supply their own water in a sustainable fashion.



- A high credit rating, superior to that of the State or Milwaukee County, that helps us manage our debt in a responsible manner.
- An excellent work force that delivers services of value to all city neighborhoods;
- Strategies that are bringing down crime and improving the safety of people throughout Milwaukee. There's nothing I like more than the headline of last week: *Crime down statewide, led by Milwaukee*. I thank Chief Flynn and the brave men and women of the Milwaukee Police Department.
- Housing and neighborhood amenities that most communities would find to be a true bargain.

And that's just to name a few.

There is no doubt that this Proposed Budget will be the most difficult you will have had to deal with in the last six years. It is absolutely essential we keep a multi-year perspective in mind. Compromising our pension obligations, overreliance on limited reserves, or one-time borrowing for recurring operations will only postpone our necessary transformation.

As I've mentioned on numerous occasions, this budget was by far the most difficult budget I've had since taking office. It is a budget of shared sacrifice. I am pleased with our efforts to preserve City services and our efforts to be fair to our constituents who are also experiencing hardships. We asked everyone to give a little and in doing so, we have achieved a lot.

Thank you and I look forward to working with you as we move forward.